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ATLANTA AND WEST POINT RAIL ROAD COMPANY / ANNUAL REPORT / 1972

1972

ANNUAL REPORT OF THE ATLANTA AND WEST POINT RAIL ROAD COMPANY
FOR THE YEAR ENDED DECEMBER 31, 1972

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1972 ANNUAL REPORT

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BOARD OF DIRECTORS

J. Arch Avary, Jr., Atlanta, Georgia
Edward G. Cole, Jr., Newnan, Georgia
John W. Dent, Atlanta, Georgia
Joseph L. Lanier, West Point, Georgia
Chester R. Lapeza, Atlanta, Georgia
Prime F. Osborn, Louisville, Kentucky
Carl J. Reith, Atlanta, Georgia
W. Thomas Rice, Jacksonville, Florida
Lamar W. Sizemore, Atlanta, Georgia

EXECUTIVE COMMITTEE

Chester R. Lapeza
Prime F. Osborn
W. Thomas Rice

THE STAFF

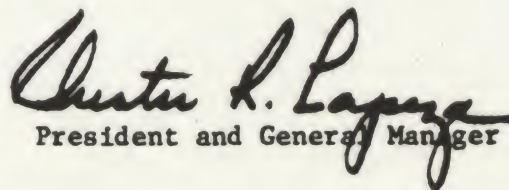
Chester R. Lapeza, President and General Manager
Albert A. Ward, Jr., Secretary
Vinson L. Cook, Treasurer
John E. MacCarthy, Comptroller
Wilbur T. Martin, Chief Traffic Officer
Adam C. Jones, Jr., General Superintendent-Chief Engineer
Edgar J. Haley, Chief Mechanical Officer-Purchasing Agent
Travis P. King, Asst. to General Manager-Director of Personnel
Ralph W. Williams, Chief Law and Special Agent
Joseph E. Saucier, Manager of Industrial Development
Herbert B. Bainbridge, Jr., Real Estate Agent
Andrew S. Anderson, Manager Data Processing
Heyman and Sizemore, General Counsel

TO OUR STOCKHOLDERS:

The continued development and growth in the areas served by your railroad contributed toward a profitable year in 1972. While the net income was \$534,381, operating expenses were 14.3% over the level of the preceding year, such increase resulting principally from the excessively high wage increases given contract employees and by increased material costs. These cost factors caused net income to fall below 1971 by approximately 28.2%. Due to the strong financial position of your railroad, we were able to make our dividend payment \$10 a share on outstanding capital stock, which was the same as paid in 1971.

Improvements to our road and equipment were made in accordance with our policy to better the property. Five miles of 115-lb. welded rail were added to the mainline during the year, replacing worn 100-lb. jointed rail. The company purchased one hundred 55-ton box cars needed to handle additional traffic to be loaded on line. These and other capital expenditures will aid us in providing the tools for continued growth and better control of expenses.

The future looks bright and we are moving forward with optimism. Our faithful staff of officers and employees will, as in the past, play an important part in that future.


President and General Manager

Atlanta, Georgia

May 1, 1973

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

35 BROAD STREET, N W

ATLANTA 30303

ACCOUNTANTS' OPINION

Atlanta and West Point Rail Road Company:

We have examined the balance sheet of Atlanta and West Point Rail Road Company as of December 31, 1972 and 1971 and the related statements of income, retained income, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Company maintains its accounts in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission and the accompanying financial statements have been prepared in accordance therewith. As explained in Note 1, the provisions of such system vary in certain respects from generally accepted accounting principles.

In our opinion, with the exception referred to in the preceding paragraph, the accompanying financial statements present fairly the financial position of the Company at December 31, 1972 and 1971 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

February 23, 1973

BALANCE SHEET
ASSETS

	December 31	
	<u>1972</u>	<u>1971</u>
CURRENT ASSETS:		
Cash	\$ 405,834	\$ 180,796
Temporary cash investments - at cost, which approximates market	1,500,000	1,400,000
Net balance receivable from agents	288,307	255,212
Accrued accounts receivable	237,459	279,367
Material and supplies	186,535	217,660
Prepayments and other current assets	<u>26,063</u>	<u>40,491</u>
Total	<u>2,644,198</u>	<u>2,373,526</u>
SPECIAL FUNDS:		
Insurance and other funds	<u>6,570</u>	<u>6,128</u>
INVESTMENTS:		
Investments in affiliated company	<u>16,380</u>	<u>16,380</u>
PROPERTIES:		
Road and equipment	12,888,522	12,499,992
Miscellaneous	<u>805,320</u>	<u>812,387</u>
Total properties	13,693,842	13,312,379
Less accrued depreciation and amortization	<u>4,878,218</u>	<u>4,669,816</u>
Total properties less accrued depreciation and amortization	<u>8,815,624</u>	<u>8,642,563</u>
OTHER ASSETS AND DEFERRED CHARGES:		
Other assets	38,100	37,732
Deferred charges	<u>35,116</u>	<u>20,888</u>
Total	<u>73,216</u>	<u>58,620</u>
TOTAL	<u>\$11,555,988</u>	<u>\$11,097,217</u>

BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31	
	<u>1972</u>	<u>1971</u>
CURRENT LIABILITIES:		
Traffic and car-service balances - net	\$ 494,095	\$ 464,821
Miscellaneous accounts payable	14,432	35,564
Unmatured interest accrued	10,935	12,333
Accrued accounts payable	456,952	441,343
Taxes accrued	<u>144,161</u>	<u>66,995</u>
Total (exclusive of long-term debt due within one year)	<u>1,120,575</u>	<u>1,021,056</u>
LONG-TERM DEBT DUE WITHIN ONE YEAR:		
Equipment obligations	<u>207,622</u>	<u>208,657</u>
LONG-TERM DEBT DUE AFTER ONE YEAR:		
Equipment obligations	<u>2,003,155</u>	<u>1,917,108</u>
RESERVE:		
Insurance	<u>122,133</u>	<u>120,933</u>
OTHER LIABILITIES AND DEFERRED CREDITS:		
Other liabilities	26,255	31,287
Deferred credits	<u>85,348</u>	<u>95,297</u>
Total	<u>111,603</u>	<u>126,584</u>
SHAREHOLDERS' EQUITY:		
Capital stock - authorized, 25,000 shares of \$100 par value each; outstanding, 24,636 shares	2,463,600	2,463,600
Retained income	<u>5,527,300</u>	<u>5,239,279</u>
Total	<u>7,990,900</u>	<u>7,702,879</u>
TOTAL	<u>\$11,555,988</u>	<u>\$11,097,217</u>

See the accompanying Notes to Financial Statements.

INCOME STATEMENT

	<u>1972</u>	<u>1971</u>
OPERATING REVENUES:		
Freight	\$4,798,999	\$4,778,211
Other	<u>144,943</u>	<u>189,151</u>
Total Operating Revenues	<u>4,943,942</u>	<u>4,967,362</u>
OPERATING EXPENSES:		
Maintenance of way and structures	625,002	586,762
Maintenance of equipment	762,094	596,315
Transportation	1,730,908	1,534,823
Other	<u>630,941</u>	<u>562,528</u>
Total Operating Expenses	<u>3,748,945</u>	<u>3,280,428</u>
Net Revenue from Operations	<u>1,194,997</u>	<u>1,686,934</u>
TAXES OTHER THAN INCOME:		
Property	66,931	66,959
Federal payroll	194,807	167,551
Other	<u>3,524</u>	<u>3,048</u>
Total Taxes other than Income	265,262	237,558
EQUIPMENT AND JOINT FACILITY RENTS - NET	<u>318,150</u>	<u>372,637</u>
Total	<u>583,412</u>	<u>610,195</u>
Operating Income before Income Taxes	611,585	1,076,739
OTHER INCOME - NET	<u>201,640</u>	<u>178,432</u>
Total	813,225	1,255,171
INTEREST ON DEBT	<u>104,606</u>	<u>126,972</u>
INCOME BEFORE INCOME TAX	708,619	1,128,199
INCOME TAX	<u>174,238</u>	<u>383,934</u>
NET INCOME (per share: 1972, \$21.69; 1971, \$30.21)	\$ 534,381	\$ 744,265

STATEMENT OF RETAINED INCOME

	<u>1972</u>	<u>1971</u>
Retained income, January 1	\$5,239,279	\$4,741,374
Net income for year	<u>534,381</u>	<u>744,265</u>
Total	5,773,660	5,485,639
Cash dividends to shareholders, \$10.00 per share	<u>246,360</u>	<u>246,360</u>
Retained income, December 31	\$5,527,300	\$5,239,279

See the accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Variance from generally accepted accounting principles - The provisions of the Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission vary from generally accepted accounting principles in that, under the Uniform System, no accounting recognition is given to deferred income taxes resulting from the deductions for depreciation and amortization of property for income tax purposes in excess of the amounts recorded in the accounts.

Inventories - Material and supplies are stated at average cost.

Properties and depreciation - Properties are stated at estimated original cost determined by the Interstate Commerce Commission valuations, plus additions and betterments at cost and less retirements since the date of valuation. The current cost of renewals of parts of the track structure is charged to maintenance expense, and additions and betterments to the structures are capitalized. Depreciation on rail and other track material, other road, and equipment is computed on a straight-line basis, using a composite rate for each class of property.

Investment credit - The Company uses the "flow-through" method of accounting for the investment tax credit.

Pension plan - The Company has an unfunded, non-contributory pension plan for officers and supervisory employees but reserves the right to discontinue the plan at any time. Amounts paid to retired employees are charged to operating expenses. The amounts required to provide for current and past service costs would not have been material.

2. Income Taxes:

The deferred income taxes described in Note 1 included in retained income at December 31, 1972 were \$313,000, after an increase of such amount by \$4,000 in 1972 and a decrease of such amount by \$9,000 in 1971.

Federal income taxes have been reduced by investment tax credits of approximately \$155,000 in each of the years 1972 and 1971.

3. Depreciation:

Depreciation expense has been recorded in the following amounts:

	<u>1972</u>	<u>1971</u>
Rail and other track material	\$ 75,598	\$ 70,329
Other property	<u>255,173</u>	<u>237,627</u>
Total	<u>\$330,771</u>	<u>\$307,956</u>

4. Pension Expense:

Pension expense for 1972 and 1971 was \$37,000 and \$34,000, respectively.

5. Service Interruption Policy:

The Company carries a service interruption policy under which it will be entitled to indemnity for certain work stoppage losses. In the event such losses are sustained by other railroads holding similar policies, the Company may be obligated to pay additional premiums, subject to a maximum premium of \$131,000.

6. Leases:

The Company leases rolling stock under leases expiring at various dates to 1981. Annual rentals under the leases are approximately \$171,000.

7. Equipment Obligations:

Equipment obligations are due at various dates through 1985 and the interest rates range from 4.1% to 6%. Interest rates on certain obligations are subject to variations in the prime rate.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>1972</u>	<u>1971</u>
SOURCES OF FUNDS:		
Net income	\$ 534,381	\$ 744,265
Depreciation and amortization	330,771	307,956
Increase (decrease) in insurance reserves	<u>1,200</u>	<u>(480)</u>
Total from operations	866,352	1,051,741
Equipment obligations	292,635	
Retirements of property	31,716	35,391
Decrease in working capital		395,764
Miscellaneous sources - net		<u>170,682</u>
Total	<u>\$1,190,703</u>	<u>\$1,653,578</u>
APPLICATIONS OF FUNDS:		
Property additions, betterments and replacements	\$ 535,548	\$1,199,078
Equipment obligations	206,588	208,140
Dividends on common stock	246,360	246,360
Increase in working capital	172,188	
Miscellaneous applications - net	<u>30,019</u>	
Total	<u>\$1,190,703</u>	<u>\$1,653,578</u>
CHANGES IN WORKING CAPITAL:		
Current assets:		
Cash and temporary investments	\$ 325,038	\$ (470,313)
Accounts receivable	(8,813)	400,413
Materials and supplies	(31,125)	(11,136)
Prepayments and other current assets	<u>(14,428)</u>	<u>(7,531)</u>
Increase (decrease) in current assets	<u>270,672</u>	<u>(88,567)</u>
Current liabilities:		
Accounts and wages payable	23,751	358,876
Taxes accrued	77,166	(43,696)
Other current liabilities	<u>(2,433)</u>	<u>(7,983)</u>
Increase in current liabilities	<u>98,484</u>	<u>307,197</u>
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 172,188	\$ (395,764)

See the accompanying Notes to Financial Statements.

OPERATING REVENUES

Year	Freight	Passenger	Mail and Express	Other	Net Joint Facility	Total Operating Revenues
1963	\$2,656,269	\$235,885	\$ 333,628	\$ 101,364	\$ 73,729	\$3,400,875
1964	2,755,143	208,329	335,807	114,942	75,590	3,489,811
1965	2,901,129	176,887	308,241	101,892	73,194	3,561,343
1966	3,106,766	170,937	311,318	123,266	80,965	3,793,252
1967	3,192,311	97,092	187,794	117,924	57,423	3,652,544
1968	3,435,511	66,478	119,954	111,796	46,543	3,780,282
1969	3,479,492	43,230	86,907	85,310	48,291	3,743,230
1970	3,980,724	1,666	2,005	73,543	43,097	4,101,035
1971	4,778,211			159,677	29,474	4,967,362
1972	4,798,999			129,076	15,867	4,943,942

OPERATING EXPENSES

Year	Maintenance of Way and Structures	Maintenance of Equipment	Transportation	Other	Total Operating Expenses	Operating Ratios
1963	\$ 410,192	\$659,895	\$1,474,871	\$ 477,198	\$3,022,156	88.86
1964	435,764	689,478	1,534,143	470,949	3,130,334	89.70
1965	441,221	687,772	1,547,500	496,863	3,173,356	89.11
1966	453,785	670,469	1,580,277	508,471	3,213,002	84.70
1967	457,273	662,570	1,469,887	511,311	3,101,041	84.90
1968	449,287	626,747	1,367,494	458,266	2,901,794	76.76
1969	504,623	602,892	1,337,764	455,097	2,900,376	77.48
1970	504,724	571,060	1,267,814	458,552	2,802,150	68.33
1971	586,762	596,315	1,534,823	562,528	3,280,428	66.04
1972	625,002	762,094	1,730,908	630,941	3,748,945	75.83

INCOME

Year	Net Revenue From Railway Operations	Railway Tax Accruals	Net Equipment and Joint Facility Rents	Net Other Income	Fixed Charges	Net Income
1963	\$ 378,719	\$198,222	\$ -303,070	\$ 120,833	\$ 31,614	\$ -33,354
1964	359,477	202,985	-279,717	131,642	30,465	-22,048
1965	387,987	207,354	-321,458	120,776	45,571	-65,620
1966	580,250	222,635	-355,121	207,268	55,724	154,038
1967	551,503	219,966	-363,537	115,146	56,384	26,762
1968	878,488	223,255	-498,517	-177,153	70,868	-91,305
1969	842,854	222,131	-388,459	187,097	129,601	289,760
1970	1,298,885	490,340	-324,413	1,192,816	154,391	1,522,557
1971	1,686,934	621,492	-372,637	178,432	126,972	744,265
1972	1,194,997	439,500	-318,150	201,640	104,606	534,381

- Decrease

CLASSIFICATION OF FREIGHT TRAFFIC

Commodity	1972		1971		Increase or Decrease Tons
	No. of Tons	Pct to Total Tons	No. of Tons	Pct to Total Tons	
Farm Products	170,657	4.66	179,206	4.93	-8,549
Forest Products	576	.02	3,108	.09	-2,532
Fish and Other Marine Products	697	.02	917	.03	-220
Metallic Ores	213,839	5.84	180,355	4.98	33,484
Coal	14,965	.41	20,740	.57	-5,775
Crude Petroleum, Natural Gas and Natural Gasoline			18		-18
Nonmetallic Minerals, Except Fuels	713,627	19.49	683,708	18.83	29,919
Ordnance and Accessories	36,006	.98	64,246	1.77	-28,240
Foods and Kindred Products	232,753	6.36	257,941	7.10	-25,188
Tobacco Products	4,192	.11	3,857	.12	335
Basic Textiles	11,217	.31	13,677	.38	-2,460
Apparel and Other Finished Textile Products, including Knitted	2,897	.08	1,708	.05	1,189
Lumber and Wood Products, except Furniture	389,496	10.63	345,036	9.50	44,460
Furniture and Fixtures	8,334	.23	7,246	.20	1,088
Pulp, Paper and Allied Products	304,618	8.32	350,339	9.65	-45,721
Printed Matter	697	.02	718	.02	-21
Chemicals and Allied Products	552,607	15.09	525,549	14.47	27,058
Petroleum and Coal Products	248,863	6.79	224,199	6.17	24,664
Rubber and Miscellaneous Plastic Products	23,928	.65	20,798	.57	3,130
Leather and Leather Products	102		97		5
Stone, Clay and Glass Products	477,034	13.02	434,048	11.95	42,986
Primary Metal Products	57,295	1.56	79,421	2.19	-22,126
Fabricated Metal Products, except Ordnance Machinery and Transportation	37,938	1.04	43,335	1.19	-5,397
Machinery, except Electrical	7,663	.21	10,939	.30	-3,276
Electrical Machinery, Equipment and Supplies	25,012	.68	45,140	1.24	-20,128
Transportation Equipment	17,111	.47	32,279	.89	-15,168
Instruments, Photographic and Optical Goods, Watches and Clocks	280	.01	522		-242
Miscellaneous Products of Manufacturing	1,998	.05	2,049	.06	-51
Waste and Scrap Material	85,413	2.33	88,233	2.43	-2,820
Miscellaneous Freight Shipments	780	.02	2,166	.06	-1,386
Containers, Shipping Returned Empty	771	.02	1,479	.04	-708
Freight Forwarder Traffic	18		150		-132
Shipper Association or Similar Traffic	303	.01	256		47
Miscellaneous Mixed Shipments, except Forwarder and Shipper Association	20,217	.55	7,246	.20	12,971
Total Carload Traffic	3,661,904	99.98	3,630,726	99.98	31,178
Small Packaged Freight Shipments	628	.02	857	.02	-229
Grand Total	3,662,532	100.00	3,631,583	100.00	30,949

- Decrease

MILEAGE OPERATED

Miles of road operated at December 31, 1972:

MAIN LINE:

Atlanta to West Point	85.62	
Hulsey Junction to Oakland City	<u>5.16</u>	90.78

TRACKAGE RIGHTS:

Central of Georgia Railway, Oakland Junction	.05	
Georgia Railroad (Atlanta Joint Terminals)	<u>2.02</u>	<u>2.07</u>
Total mileage operated		<u>92.85</u>

TRAIN, LOCOMOTIVE AND CAR MILES

CLASS	<u>1972</u>	<u>1971</u>	Increase or Decrease
TRAIN MILES			
Freight	<u>172,574</u>	<u>132,446</u>	<u>40,128</u>
TOTAL TRAIN MILES	<u>172,574</u>	<u>132,446</u>	<u>40,128</u>
LOCOMOTIVE MILES			
Freight	456,362	371,034	85,328
Switching	<u>63,953</u>	<u>52,619</u>	<u>11,334</u>
TOTAL LOCOMOTIVE MILES	<u>520,315</u>	<u>423,653</u>	<u>96,662</u>
FREIGHT CAR MILES			
Freight Loaded	4,976,098	5,107,053	-130,955
Freight Empty	3,674,655	3,803,683	-129,028
System Caboose	<u>163,117</u>	<u>140,308</u>	<u>22,809</u>
TOTAL FREIGHT CAR MILES	<u>8,813,870</u>	<u>9,051,044</u>	<u>-237,174</u>

- Decrease







ATLANTA AND WEST POINT RAIL ROAD COMPANY / 4 HUNTER ST./ATLANTA, GA.